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Terms and Definitions

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Accretion (of a discount)

In portfolio accounting, a straight-line accumulation of capital gains on a discount bond in anticipation of receipt of par at maturity.

Accrued interest

Applies mainly to convertible securities. Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon period that has elapsed since the last payment. (If a bondholder receives \$40 in coupon payments per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller \$10 as the latter's proportion of interest earned.)

Acquisition

The acquiring of control of one corporation by another. In "unfriendly" takeover attempts, the potential buying company may offer a price well above current market values, new securities and other inducements to stockholders. The management of the subject company might ask for a better price or try to join up with a third company.

American Depositary Receipt (ADR)

A security issued by a U.S. bank in place of the foreign shares held in trust by that bank, thereby facilitating the trading of foreign shares in U.S. markets.

American Stock Exchange (AMEX)

Stock exchange with the third highest volume of trading in the US. Located at 86 Trinity Place in downtown Manhattan. The bulk of trading on AMEX consists of index options (computer technology index, institutional index, major market index) and shares of small to medium-sized companies are predominant. Recently merged with Nasdaq

Amortization

Accounting for expenses or charges as applicable rather than as paid. Includes such practices as depreciation, depletion, write-off of intangibles, prepaid expenses and deferred charges.

Annual report

The formal financial statement issued yearly by a corporation. The annual report shows assets, liabilities, revenues, expenses and earnings - how the company stood at the close of the business year, how it fared profit-

Order

Instruction to a broker/dealer to buy, sell, deliver, or receive securities or commodities that commits the issuer of the "order" to the terms specified. See: indication, inquiry, bid wanted, offer wanted.

Bid

The price a potential buyer is willing to pay for a security. Sometimes also used in the context of takeovers where one corporation is bidding for (trying to buy) another corporation. In trading, we have the bid-ask spread which is the difference between what buyers are willing to pay and what sellers are asking for in terms of price.

Dual listing

Listing of a security on more than one exchange, thus increasing the competition for bid and offer prices, the liquidity of the securities, and the length time the stock can be traded daily (if listed on both the east and west coasts.)